Independent Bankers
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January 28, 2004

Via email: **reg.comments@federalreserve.gov**

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, Northwest
Washington, DC 20551

RE: Docket No. R-1167

Dear Ms. Johnson:

The Independent Bankers Association of Texas ("IBAT") is a trade association representing approximately 600 independent community banks domiciled in Texas and Oklahoma. Its members are particularly affected by the consumer regulation because community banks are held to the same standards of disclosure and conduct as the largest financial institutions in the United States. At the same time, the cost of compliance falls more heavily on these institutions with an exorbitant amount devoted to compliance officers, education and training and other costs to assure that consumer protection laws are satisfied. Therefore, changes in the commentary which provide greater clarity and, at the same time, more flexibility are extremely beneficial. With that in mind, IBAT strongly supports the proposed amendments to the commentary which will create a more uniform standard for plain language or "clear and conspicuous" disclosures. The revised comments increases flexibility while at the same time providing appropriate protection to consumers.

As part of our basis for supporting this consistency in disclosure requirements we would like to share with you our experience in Texas. Approximately 10 years ago, the Texas Legislature scoured our statute for laws which required consumer disclosures with certain formats. These statutes were inconsistent in that some required disclosures to be in bold type, some referred to a specific point size, some required all capitalization, and some required underscores. The laws were revised and made consistent with the following language used throughout: *notices should be "in at least 10-point type that is bold-face, capitalized, or underlined or otherwise conspicuously set out from the surrounding written material . . ."* .

Although the Texas example is not as flexible as the proposed new commentary, it provided significant advantages to Texas companies by providing multiple ways in which a lender or other party could make disclosures in a way that would effectively communicate to the consumer.

Texas law has also had requirements in certain chapters of the Finance Code requiring that contracts themselves be in at least 8-point type. These sorts of provisions have been around for more than 20 years. Although in the '70s it was not unusual that lawsuits were brought based on type point size, the various affected industries have been able to adapt. As an aside, I might note that the type size and presentation used in the Federal Register is at a bare minimum of readability for, at least, this observer.

Finally, we would respectfully suggest that the commentary include an additional observation under, "reasonably understandable" which concludes that use of model language shall be deemed reasonably understandable. Certainly the laws and regulations provide that the use of model language provides a safe harbor. However, it would be beneficial to add such a provision in this section of the commentary as well.

In addition to dealing with the "clear & conspicuous" standards, you have asked for comments on debt cancellation and debt suspension products. At this time, these products have not developed significantly in Texas, at least in part due to confusion over their treatment under the Texas Credit Title of the Finance Code. In addition, however, development has been slowed at least in part by what some view as excessively restrictive requirements in the regulations promulgated by the Comptroller of the Currency. None-the-less, based on discussions with various parties, we would have the following observations with regard to debt cancellation and debt suspension products.

First, the market place is developing a wider array of arrangements than traditional credit insurance products. For example, there are debt suspension arrangements that relate to a life event. Certainly, a divorce or death of a spouse can have a devastating effect on one's ability to continue paying obligations. This should be an event subject to debt suspension. However, as the market matures and consumers ask for additional kinds of protection, there should be the flexibility to offer an array of debt suspension or debt cancellation products. Furthermore, these should be available in a menu with consumers able to select individual products or a package as the consumer deems most appropriate for his or her personal circumstances.

We would suggest that voluntary debt cancellation and debt suspension products are not insurance but should receive the same treatment as credit insurance products for the purposes of determining finance charge. We believe this is justified because the products are voluntary, not because they are insurance-like.

Thank you for this opportunity to comment.

Sincerely,

Karen M. Neeley

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General Counsel

/dac

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Washington, DC 20551

RE: Docket Nos. R-1168, R-1169, R-1170, & R-1171

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Sincerely,

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